Human Events *A Weekly Analysis for the American Citizen*

Editorial Office 1710 Rhode Island Ave., N. W., WASHINGTON 6, D. C. *Telephone* NATIONAL 2066

VOL. VII, No. 8, *Issue Number* 317, FEBRUARY 22, 1950 ★ *Editors:* FELIX MORLEY & FRANK C. HANIGHEN

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HOW DEFICITS ARE CAMOUFLAGED

by Edna Lonigan

In the political breathing spell, before the 1950 Congressional campaigns get fully under way, it is helpful to reflect on the economic message sent to Congress by President Truman on January 6.

The immediate journalistic reaction was that this message signified a "turn to the right", designed in advance to counter the "Liberty versis Socialism" slogan of the GOP. That analysis is probably correct as far as it goes. But that analysis does not go far enough.

Superficially, the economic message reads like a collection of clichès. But every word was chosen with the utmost care to do the political work assigned to it. It was a significant part of the myth-making by which the greatest nation in history is being transformed by a handful of men. And it should be studied as such.

According to the myth, our economy is in fine shape. With hardly a ripple we have surmounted the most devastating of all wars. We have solved the elusive problem of stabilizing capitalist production. The only difficulty is a lag in business investment, and the Administration will take care of that by enlarging consumer markets. It follows that anyone who is against the Administration's program is against progress, and has doubts about the ability of the American people.

To be sure the Administration must spend $42 billion a year (or $50 billion according to the estimates of Congressman Taber). It will run a deficit of five to ten billions even with onerous wartime tax rates. But this deficit is due to Business, Congress and the Enemy.

Of course "enlarging consumer markets" for business brings us by a new route to very old spending programs -- public housing, social security, everything that Hopkins or Wallace ever urged. But they are minor issues now. The major issue is the ever-growing advance of government to the heartland of the free society, the productive system itself.

II

In the old days, when the New Deal was a militant minority, Tugwell and Corcoran delighted in attacking business, in outraging every accepted economic belief. Now business is not important enough to deserve official denunciation.

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One sentence in the message tells why. The Government is to help little business take risks -- as if the clipper ships of New England, or the first Ford automobiles were built by Big Business!

Obviously, it means that government is going to "insure" loans for small business. Government is now guaranteeing loans for public housing. The price support program for farm products like potatoes is now much to the fore. There is a bill in Congress to insure risks in foreign investment. This method can be applied to every segment of private business. But if government is the risk-bearer, where is free enterprise? Obviously only the State is either free or enterprising.

This is the end product of economic technology. Economists were once philosophers, men of learning and wisdom. Then we began to train "economic experts" who knew all the minutiae of their "science" but had little critical judgment or moral responsibility.

The technicians caused little damage at first, because we had an inherited social framework which held us together. But it was inevitable that the new political leaders would take over the rootless technicians, as part of their "cultural front", and inflate their importance to impress the public. A few very able economists and lawyers were used for another purpose. Their work was to take apart the free capitalist society bit by bit, and put it together again, according to a totally different pattern, but camouflaged to look unchanged.

They are products of the wartime experience in disintegration by which men learned to look at a landscape, to ignore its true significance and analyze it into fragments, to discover just which details give the illusion of a park, and then make a synthetic reproduction of these details, to conceal a munitions plant.

The purpose of both kinds of camouflage is to deceive. Behind their verbal deceptions the little teams of technicians have advanced like commandos into our agriculture, our industries, our housing, our state and city governments. They have, with their financial tools, disconnected the ties which bound each community to the people who built it. They have put in wires that now connect every community with the master-switch in Washington. They have combined all our independent activities into one tightly organized production line, where everyone's work is financially geared to government. They are careful to use the orthodox words and phrases, to give the illusion of familiar security to the whole. But the Administration in Washington is now completely master of the economic process.

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Economics is not a parade of wooden figures. It is a metabolic process, a form of life. The people of a nation take certain substances from their resources, transform them by their work and skill into what they need, and do it with such an economy of energy that there is a margin left for growth.

When this vital process of replenishment and growth breaks down, the society, like an individual, is dying. The outer limbs may still be robust but inwardly the turn is towards decay.

The New Deal mined our capital resources and wasted them in made work, in political strife, and inflated war costs. It retrained our people to distrust their individual ability to plan, taught them to avoid work, and to trust political promises calculated to deceive.

President Truman could have reversed that trend. He has chosen to complete it, though perhaps his advisers really made the choice. The President's economic message of January 6 was a truly historic document. It sounded the death knell of American economic growth, not less so because Mr. Truman himself may not realize what is happening.

The key argument now is "full employment of resources", money, machines and men. Both chattel slavery and feudalism succeeded in providing "full employment". The free economy improved on these by seeking the most productive employment of all factors. It put every man and every dollar where it would do the most fruitful work. That is why it had rising income to pay them. No one was put on "made work", which produced no income, and so no one worked without pay. That wasn't just dull economics. It was one of the greatest political achievements of all history: the abolition of unpaid work or serfdom. We have let abuses under Capitalism blind us to the essential value of the system.

"Full employment of resources" is the deceptive phrase hiding the turn back to a system of employment for captital and labor without compensation. The State can give full employment to men or dollars only by putting them at superfluous work. Of course for a while they can be paid by the confiscation of existing capital, laboriously accumulated by our forebears. But soon payment is made by lowering the income of the majority, calling this process "fair shares", as they do in Socialist Britain. Instead of full-time slavery for part of the people we now have part-time slavery for all -- involuntary labor to pay taxes.

The planners know this. But they also know that it is politically feasible to go on looting our national capital fund. They need only spend part of the take for gigantic projects to satisfy the people, like

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Governor "Willie Stark", or like the model villages built by Potemkin to fool the Empress Catherine. These economic Nuremberg Festivals are the promotional cost of the Welfare State. They are the phosphorescent glow that hides the decay beneath.

IV

In every country the first stage of the Welfare State is political squandering of the nation's capital. The second stage is renewal of the exhausted capital fund by the only means at the disposal of the State -- by making everyone work longer hours, at less pay, for the dictators who rule in the name of "the people".

The second stage of the Welfare State appears in its Five Year Plans, meaning assignment of workers to jobs that officials choose for them. That is old stuff in Europe. Now we see that it can happen here.

The economic message introduces the note of austerity into American thinking. Workers must work harder. Business men must take more risks. Everyone must pay even heavier taxes. To make it all well-rounded the Administration vaguely promises to be economical sometime, somewhere -- time and place not specified.

So, in America, we move without reason or foresight into the degeneracy of the Welfare State.

Why does no one stop this grim decay? This is not Czarist Russia slowly collapsing in corruption. It is not defeated Germany taken over by the band of Nazi plunderers. It is the United States of America, the last, best hope of earth.

The real trouble is not with the power-seekers or the technicians. It is some weakness in ourselves. Froude tells us of the Indian tribes which suffered so deep a trauma from the rush of Spanish violence, and the incomprehensible spread of slavery to a people who had been free, that they willed their collective death.

The cure is easy, if we have the will. We must take back from the Administration its power over our money, which is our work.

Money is only a receipt for work done. Credit is an IOU for work not yet done. Any nation which lets its government operate on credit in peacetime is a nation of indentured servants. It is on its way to becoming a nation of serfs. If we let the State use deficit financing in peacetime, we are agreeing to let it conscript our labor in peacetime.

The point at which to attack the evil is in the budget of the Federal Government. For it is there that clever men are fighting to enslave a people who, by their own indifference, are already half enslaved.

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Not Merely Gossip *A Supplement to* Human Events Vol. VII, No. 8

FEB 27 1950

By Frank C. Hanighen February 22, 1950

MORLEY: We recall those steamy days of August, 1945. Our colleague Felix Morley had only recently come to Washington -- from the cool North -- to join us and lead us in the then fledgling publication. It became amusingly apparent that he had forgotten what a cauldron the nation's capital can be in summertime. But just at that time an unbelievably inhuman Thing had come on the Earth. Despite the intolerable weather, he sat down and wrote an essay, "The Return to Nothingness", which should go down in the annals of journalism. "If December 7, 1941," he asked, "is a 'day that will live in infamy' what will impartial history say of August 6, 1945?" And he answered: "Pearl Harbor was an indefensible and infamous act of aggression. But Hiroshima was an equally infamous act of atrocious revenge." These were very courageous words to utter in weeks of giddy victory and self-righteous vengefulness. And who today can dispute the verdict: "We have chosen the turning which leads back to nothingness"?

We like to remember this Morley piece, and many others whose judgments and warnings have been so surely justified, as we sadly contemplate his resignation which takes effect on March 1. The best editor we have ever known leaves his editorial chair to write a book in the field of political theory -- another Power in the People, we are sure. He has kindly consented to edit the Analyses until June 1; and he promises to contribute pieces this spring and thereafter. HUMAN EVENTS faces a challenge: to attempt to maintain the high standard which he has set in these pages in the past four and a half years.

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PEACE Talk: The clamor of so many public figures for a fresh approach to the burning question of atomic control is indeed encouraging. Such voices would not have been lifted unless aroused public opinion had prompted them. In the past week, those who have spoken out have avoided the mistake of Senator Brien McMahon, who cried, "Billions for tribute." Yet unfortunately none of them have offered to a sorely harassed Executive any original, constructive suggestion as to how the task should be undertaken. In the Capital, many have been more impressed by the statement of Senator Tydings than by those of other statesmen. His call for a general disarmament conference may or may not be the way. But it is known that the Maryland Senator has been deeply worried about the international situation for many months. As he is Chairman of the Armed Services Committee he is in a position to know the dangers we face; he speaks with great authority. Some approach must be found.

However, it would be just as well to restrain hopes for a meeting and an accord with Moscow. No public figure in Soviet Russia has uttered a word, much less tried to match the statements from men on this side of the Iron Curtain. In this connection, Paul W. Ward, diplomatic correspondent of the Baltimore Sun (February 19) chooses to emphasize facts and suspicions not widely recognized in the press: "Soviet censors, who frequently will not let the few American correspondents in Moscow report even what has appeared in the Soviet press, recently have let two of them send out dispatches attributing to the Kremlinites a readiness for peace talks." Ward refers to other instances when "the Kremlin similarly facilitated . . . bait for" foreign chancelleries. And he quotes a diplomat as saying, "The Kremlin gang never close any doors. But they also never take any responsibility for anybody coming to see them, preferring always to say: 'It was your idea; don't blame us because nothing came of the visit.'"

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BY-ELECTION: Almost any straw to clutch at . . . . Sober political observers in Washington deprecate the lift in GOP spirits as a result of winning two recent by-elections. Pleasurable statistical computations have engendered much of this optimism; but there are some who think that the peculiar circumstances of one of these victories is more encouraging than the vote totals. Thus, the Wall Street Journal (February 16) comments: "When President Truman in 1948 captured the Sixth Congressional district of Massachusetts by a good 7,000 majority, the Democrats decided they had added another bailiwick to their political pasture. When the Republicans found this year that their candidate for Congress in this district could not campaign -- indeed could not even talk about the issues at all -- because he is a Navy officer, they were inclined to write off the district. A veteran Democratic campaigner ran 'on the record' of his party. The muffled Republican campaigner sat out the race, promising nothing to nobody. When the votes were counted up yesterday, the Democratic candidate, an ardent advocate of the Fair Deal, was buried under an avalanche." The Journal entitles this editorial, "Success Suggestion?"

Furthermore, continuing our admonitions to Republicans, it would be well to realize that the $1.00 box-lunch feature at Lincoln Day dinners is all very well, but a good speech is better. Some observers in Washington believe that there is need of more addresses such as the one delivered by Congressman Richard Nixon at the Terre Haute Lincoln Day celebration. Nixon fired back at Mr. Truman's defense of his "red herring" statements (as made to Arthur Krock, of the New York Times, two days before) by pointing out that "red herring" cracks came from the President (1) after Hiss first appeared before the House Un-American Activities Committee; (2) after an appearance of Chambers; (3) after discovery of the "pumpkin papers"; and (4) after the indictment of Hiss. "He has made his record", said Nixon, and added -- referring to Truman's preference for the Loyalty Board over the House Committee -- "I suggest the President name just one case in which the Loyalty Board caught someone red-handed as the Committee did in the case of Hiss." This is highly effective political rebuttal.

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SOCIAL SECURITY; THE PROBLEM: An expert who follows social security legislation has given us the following report:

What one is tempted to call complete intellectual bankruptcy in representative government is now on view on Capitol Hill. The matter in question is the Social Security Bill, passed by the House under gag rule last October 5 and now before the Senate Finance Committee. Aid to the blind and to dependent children is involved but is not a burning issue. It's the question of the old folks that frightens Congress. Two sets of bald facts stand out.

(1) The proportion of old people in our population is increasing. There are 11.5 million persons 65 and over in the United States now. A fraction of these are destitute. Their support is a problem that must be faced on humanitarian grounds. Again, a lot of our old people vote, and Congress is acutely aware of the fact. Pressure for old age pensions is greater than ever. Townsend Planners are showing renewed vigor. Doc Townsend, 15 years older than he was in the early crusade days, is still very much alive, vocal and insistent for $150 a month for all.

(2) Since 1935 we have had on the books what the late Abraham Epstein used to call "Our Social Insecurity Act", a strange monstrosity partly adapted from the old German system. This Act is handled by the Social Security Administration with the help of 11,900 jobholders headed by Commissioner Altmeyer, a frayed and aging but still persistent New Dealer of the old University of Wisconsin socializing brand. Among the SSA's functions are the operation of Old Age and Survivors' Insurance

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(known as OASI) and the bossing of the great Federal subsidies for Old Age Assistance -- that is, means test relief for old people. Despite all the sanctimonious plugging by New Dealers, OASI, which is supported by pay roll taxes, has failed to make the grade. Last year this great octopus -- which has collected taxes in greater or lesser degree from more than 90 million persons and which pays International Business Machines more than $1 million a year for machine rental to keep the 90 million wage records in order -- was able to pay meager benefits to only 1.9 million persons. Not only is "the reserve" still a national scandal; the operation of the law itself is often cruel and capricious. Millions have paid taxes under "covered" jobs, then moved into "uncovered" ones and are now ineligible. A lucky few, who have paid small sums in taxes, draw relatively juicy pensions. The formulas by which the sums are arrived at and the regulations by which OASI operates are fabulously complicated and warranted to frustrate any protestor who doesn't make a full time job of following social security procedures. Because of OASI's failure to really meet the needs of destitute old people, Old Age Assistance (relief), paid for with huge Federal subsidies and state taxes, has zoomed far ahead. Last year this old age relief was paid to 2.7 million persons and the number is swiftly rising.

A jittery Congress is thus caught between pension crusaders' demands on the one hand and the Altmeyer Social Security Bill (H.R. 6000) on the other. H.R. 6000 simply proposes expansion of the existing system, making it more capricious and complicated than ever. It appears that, with minor amendments, this bill is going to pass, simply because Congress hasn't the guts to clean house and overhaul the system. There are two factors of critical importance involved. In the first place, the piling up of deferred OASI commitments threatens eventually to bankrupt the country. In the second place, the political implications are far-reaching. The Social Security people have been very busy over the past 15 years. Tirelessly, ingeniously, they have promoted a huge, piecemeal program of pay roll legislation which requires ever more revenue to sustain. If they succeed in putting this bill over and can finish off with compulsory health insurance and control of education, they will be in a fair way to dominate the economy and will have triumphed in the socializing job that Truman so vociferously denies.

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SOCIAL SECURITY; THE SOLUTION: Our expert friend continues: It is true that the issue is complex and baffles many in Congress, but fear -- fear of old folks' votes, fear of the Social Security people, fear in general -- is the real trouble. Some clearly understand the score. Congressman Carl Curtis of Nebraska, a member of the House Ways and Means Committee, on October 4, 1949, made a brilliant analysis of the bill on the floor. Very few paid attention.

Congressman Curtis' view -- which is supported by competent actuaries -- is that old age benefits should be made universal, with a fixed age as the only qualification. The benefit would be a flat rate, financed by a surtax on income, and handled on a pay-as-you-go basis. In effect, all Americans who work would pay an annual tax to help support the old folks and each year's old age benefit bill would be paid and done with at the year's end. Administration of such a system would be relatively simple and require a small force. It would, at one stroke, put an end to the dangerous postponed liability system now in effect. That it would also smash the Social Security Administration's dream of controlling our economy goes without saying. The Altmeyer crowd would fight tooth and nail. This crowd, with the means of propaganda which it has at hand, could frighten the ignorant throughout the country. The embattled bureaucrats would stop at nothing to put the heat on Congress. And Congress knows it. In this sort of atmosphere, and bathed in clammy sweat, the Senate is preparing to vote on a truly crucial issue.

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Book Events

And Madly Teach, by Mortimer Smith. Chicago: Henry Regnery Company. $2.25.
Reviewed by Frank Chodorov.

It has become commonplace, among both professional pedagogues and lay critics of our educational system, to point to its product as evidence of its inadequacy. Everybody is in agreement that we do not get our money's worth from tax-supported, compulsory schooling; the prevailing level of intelligence, as revealed in army tests or by an examination of our popular literature, proves the point. Having come to that common conclusion, the critics are of so many minds as to what ought to be done about it that the anxious parent must resort to prayer: may the little one get some sort of education in spite of the schools to which it is committed by law.

The root evil of modern education, says Mortimer Smith in And Madly Teach, is to be located in its philosophical basis. The essential tenet of this philosophy is the instrumental-experimental theory of knowing that human intelligence is animalistic, limited in scope to the stimuli of environment. We cannot know anything except what our senses tell us. There are no transcendental yardsticks by which to measure the "truth" of our observations.

This, of course, is John Dewey's pragmatism, the philosophy that holds that what "works" is "true". It follows that the only knowledge that has any value is that which results in concrete, measurable ends. Education, then, must concern itself with the practical and changing conditions of life, without reference to supposedly universal, timeless values. The past is always dead, the new is always changing and the future will reveal itself in its unpredictable dress at the proper time. Loading the student down with the "best that has been thought and said" is to handicap him in his bout with experience, and disciplining him with principles is to put limits on his potential. What he learns from teacher or textbook will never do him any good; only what he learns in his minute-to-minute experiences counts. The only function of education, therefore, is to provide an environment, a laboratory, in which the student's personality (whatever that is; the philosophy does not define it) may find proper expression.

Thus, the subject-matter of education loses all importance; and that idea, says Mr. Smith, fitted in with the problems of the educational system brought on by increasing enrollment during this century; particularly so in the secondary schools. The necessity of providing some sort of education for the large numbers who are inherently incapable of absorbing the traditional subject-matter made it necessary, for instance, to substitute home economics for Latin, manual training for mathematics. To the "reactionary" in education this amounts to a lowering of the standards to the level of the marginal mind, but to the "progressive" educationalist it means the conquest of the practical and useful over the "dust of ages". Since more minds can grasp the intricacies of automobile driving than those of solid geometry, the substitution of the one subject for the other is indubitably more "democratic".

The minimizing of subject-matter relieves the modern pedagogue from the necessity of mastering it. His vocation calls for the perfection of the school environment in which the personality flower may properly bloom. His preparation for the job involves thorough understanding of administration, knowledge of equipment, financing, plumbing. Mr. Smith refers to the curriculum of Teachers College, Columbia University; the list of subjects offered suggests that one versed in methodology will be a good enough teacher, even if he knows nothing of the subject he is supposed to teach.

After reading this exceptionally lucid little book, one is glad to learn that the Supreme Court of Illinois has decided that parents who have the qualifications may teach their children at home.

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